

Canada Revenue Agency releases new Form T1135 to report foreign property

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On Dec. 9, 2015, the Canada Revenue Agency (CRA) released a new version of prescribed [Form T1135](#) for taxpayers who own specified foreign property (SFP). The new form allows taxpayers who own SFP that have a total cost between \$100,000 and \$250,000 a more simplified reporting option.

In our [blog](#) posted on April 21, 2015, we noted that promises were made by the Department of Finance when it released its 2015 Budget to “fix” some of the issues that practitioners have identified and loudly complained about. The new Form T1135 now has two sections – Part A and B.

Part A will allow taxpayers who own SFP with a cost between \$100,000 and \$250,000 to simply provide the following information:

- the types of SFP held by the taxpayer, using a “tick-the-box” method;
- the countries in which the SFP is situated; and
- the total amount of income and gains (losses) from the SFP, reported in aggregate.

Part B is for taxpayers with a SFP cost of more than \$250,000 or those who elect out of Part A. Part B is identical to the previous version of prescribed Form T1135.

While the new Form T1135 is certainly welcome, taxpayers will still have to identify all income and gains (losses) from SFP as before. The major benefit however is for taxpayers who own SFP with a cost between \$100,000 and \$250,000 who *do not* hold their SFP with a Canadian Registered Securities Dealer.¹ Previously, such taxpayers would have to report each individual SFP separately, on a line by line basis, in sections 1 through 6 on the old Form T1135. This was quite time consuming and resulted in substantial time spent by investment advisors and tax preparers who had to obtain the required information. Now with the new Form T1135, if all the SFP has a cost between \$100,000 and \$250,000, only the requirements of Part A apply.

For those taxpayers who own SFP with a cost more than \$250,000, at any time in the year, there are no additional benefits provided by this new Form T1135.

The new Form T1135 appears to be a compromise between the CRA and tax preparers in that the new form encompasses components (tick-the-box) from the Form T1135 used prior to 2013 and the detailed Form T1135 that has been in place since 2013. The new form is a compromise since there are significant comments that have been made by the tax community that have not been addressed by the new form (raising the cost amount of SFP that requires disclosure on the Form T1135, eliminating the reporting of SFP held by Canadian Registered Securities Dealers, etc.).

Notwithstanding, the CRA/Department of Finance are to be commended for addressing some of the concerns raised by tax preparers regarding the old version of prescribed form T1135. Time will tell if further changes will be made in the future to address the outstanding concerns of tax preparers.

¹ As defined in subsection 248(1) of the *Income Tax Act* and discussed in our February 26, 2014 [blog](#) on this topic.